

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
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September 18, 2002

Ms. Janey Link, Controller
Oconee Memorial Hospital
298 Memorial Drive
Seneca, South Carolina 29672-9443

Re: AC# 3-LLD-J7 – Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility

Dear Ms. Link:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read "James McLean Jr", is written over the typed name of Thomas L. Wagner, Jr.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

**OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
SENECA, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1998
AC# 3-LLD-J7**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1998	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1998 THROUGH NOVEMBER 30, 1998	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD DECEMBER 1, 1998 THROUGH SEPTEMBER 30, 1999	B-2	5
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1997	C	6
ADJUSTMENT REPORT	1	8
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 3, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility, for the contract period beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. The management of Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

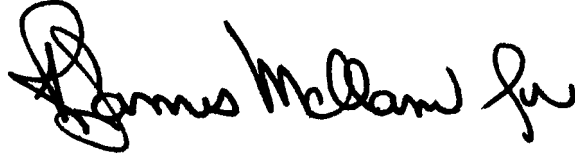
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
September 3, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Thomas L. Wagner, Jr.", with a stylized flourish at the end.

Thomas L. Wagner, Jr., CPA
State Auditor

LILA DOYLE NURSING CARE FACILITY

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-LLD-J7

	<u>10/01/98- 11/30/98</u>	<u>12/01/98- 03/31/99</u>
Adjusted Reimbursement Rate	\$95.51	\$96.26
Interim Reimbursement Rate (1)	<u>93.61</u>	<u>94.36</u>
Increase in Reimbursement Rate	\$ <u>1.90</u>	\$ <u>1.90</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

LILA DOYLE NURSING CARE FACILITY
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-LLD-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 67.90	\$46.64	
Dietary		18.04	9.93	
Laundry/Housekeeping/Maintenance		<u>14.91</u>	<u>8.11</u>	
Subtotal	\$ <u>-</u>	100.85	64.68	\$64.68
Administration & Medical Records	\$ <u>-</u>	<u>21.43</u>	<u>10.90</u>	<u>10.90</u>
Subtotal		122.28	<u>\$75.58</u>	75.58
<u>Costs Not Subject to Standards:</u>				
Utilities		2.74		2.74
Special Services		1.97		1.97
Medical Supplies & Oxygen		4.38		4.38
Taxes and Insurance		.45		.45
Legal Fees		<u>.16</u>		<u>.16</u>
TOTAL		<u>\$131.98</u>		85.28
Inflation Factor (3.60%)				3.07
Cost of Capital				12.62
Cost of Capital Limitation				(5.71)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$95.51</u>

LILA DOYLE NURSING CARE FACILITY

Computation of Adjusted Reimbursement Rate

For the Contract Period December 1, 1998 Through September 30, 1999
AC# 3-LLD-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 67.90	\$46.64	
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TOTAL		<u>\$131.98</u>		85.28
Inflation Factor (3.60%)				3.07
Cost of Capital				12.62
Cost of Capital Limitation				(5.71)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
CNA Add-On				.75
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$96.26</u>

LILA DOYLE NURSING CARE FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-LLD-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$ 2,018,070	\$ -	\$119,041 (1)	\$ 1,899,029
Dietary	625,382	-	120,899 (1)	504,483
Laundry	166,705	-	45,302 (1)	121,403
Housekeeping	148,251	12,246 (1)	-	160,497
Maintenance	91,525	43,650 (1)	-	135,175
Administration & Medical Records	346,815	252,681 (1)	-	599,496
Utilities	60,937	15,765 (1)	-	76,702
Special Services	81,576	-	26,407 (1)	55,169
Medical Supplies & Oxygen	65,800	56,752 (1)	-	122,552
Taxes and Insurance	11,724	839 (1)	-	12,563
Legal Fees	-	4,462 (1)	-	4,462
Cost of Capital	<u>265,269</u>	<u>152,559</u> (2)	<u>64,817</u> (1)	<u>353,011</u>
Subtotal	3,882,054	538,954	376,466	4,044,542

LILA DOYLE NURSING CARE FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-LLD-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	107,755	-	90,975 (1)	16,780
Non-Allowable	(<u>39,103,859</u>)	<u>81,046</u> (1)	<u>152,559</u> (2)	(<u>39,175,372</u>)
Total Operating Expenses	\$ (<u>35,114,050</u>)	\$ <u>620,000</u>	\$ <u>620,000</u>	\$ (<u>35,114,050</u>)
Total Patient Days	<u>27,970</u>	<u>-</u>	<u>-</u>	<u>27,970</u>
TOTAL BEDS	<u>79</u>			

LILA DOYLE NURSING CARE FACILITY
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-LLD-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Housekeeping	\$ 12,246	
	Maintenance	43,650	
	Administration and Medical Records	252,681	
	Utilities	15,765	
	Medical Supplies	56,752	
	Taxes and Insurance	839	
	Legal	4,462	
	Nonallowable	81,046	
	General Services		\$119,041
	Dietary		120,899
	Laundry		45,302
	Special Services		26,407
	Cost of Capital		64,817
	Ancillary		90,975
	To adjust cost centers to amounts per the Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	152,559	
	Nonallowable		152,559
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$620,000	\$620,000

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

LILA DOYLE NURSING CARE FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-LLD-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>79</u>
Deemed Asset Value	2,691,451
Improvements Since 1981	725,410
Accumulated Depreciation at 9/30/97	<u>(1,051,723)</u>
Deemed Depreciated Value	2,365,138
Market Rate of Return	<u>.067</u>
Total Annual Return	158,464
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	158,464
Depreciation Expense	194,547
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	353,011
Total Patient Days (Minimum 97% Occupancy)	<u>27,970</u>
Cost of Capital Per Diem	\$ <u><u>12.62</u></u>

LILA DOYLE NURSING CARE FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-LLD-J7

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 2.92
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.91</u>
Reimbursable Cost of Capital Per Diem	\$ 6.91
Cost of Capital Per Diem	<u>12.62</u>
Cost of Capital Per Diem Limitation	\$ <u>(5.71)</u>

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